

2 June 2020

**INTERCEDE GROUP plc**  
**(“Intercede”, the “Group” or the “Company”)**

**Preliminary Results for the Year Ended 31 March 2020**

Intercede, the leading specialist in digital identity, credential management and secure mobility, today announces its preliminary results for the year ended 31 March 2020.

**Financial Highlights**

- Results for the year ended 31 March 2020 show a continuing trend of improved operational and financial performance.
- Revenues of £10.4m (2019: £10.1m) primarily reflect the impact of follow-on orders from existing customers and partners in the US, EMEA and SE Asia. The establishment and further development of partner relationships is critical for the Group’s future growth prospects.
- Following a cost-cutting review introduced two years ago, costs continue to be tightly controlled while strategic investment and investment in staff have been maintained, both of which are crucial to exploit new revenue opportunities.
- The Group generated a substantially increased profit for the year of £1.0m (2019: £0.4m).
- Gross cash balances increased to £4.8m as at 31 March 2020 (2019: £3.2m), primarily driven by cash generated from operations of £1.4m (2019: £0.7m).

**Operating Highlights**

- Intercede reacted swiftly to the Covid-19 pandemic to maintain business as usual with all staff working remotely from home both in the UK and US.
- The Group continues to execute its 5C strategy (Colleagues, Customers, Channels, Code and Cash) and continues to be successful in deriving a high level of recurring and follow on revenue. Meanwhile, the value of the sales pipeline is over 40% higher than this time last year.
- Three new initiatives have been launched during the year to increase customer interaction: US Customer Advisory Board (CAB), Customer Portal and the Customer Satisfaction Survey. The US CAB in particular was a great success and was attended by many US federal agencies and large enterprises from across North America. When the Covid-19 lockdowns are lifted, there are plans for a CAB in Europe, for Intercede’s European, Middle East and Asia Pacific customers.
- The launch of Intercede’s new Connect Partner Programme. This is a tiered channel scheme that rewards partner engagement to extensively integrate MyID software with world-leading strong authentication hardware and software. In particular Connect Partners will sell the newly released MyID Professional, a simplified and therefore more scalable version of MyID Enterprise.
- Strategic investment continues for the year ending 31 March 2021 with the goal of a significant release of MyID, currently designated MyID v11.6, which is the first release of a new operator client with an improved user experience and REST APIs for enhanced performance. Beyond MyID v11.6 is a planned expansion into new authentication technologies such as mobile ID and FIDO (Faster IDentity Online), which will enable Intercede to access a larger addressable segment of the authentication market.

Chuck Pol, Chairman, said:

***“Just over two years ago a major Board reconstruction was undertaken with the clear recognition that the Group had to get back to sustainable revenue growth and profitability. All members of the team have remained focused throughout the last two years and it is to their great credit that the most difficult part of the operational turnaround has been delivered despite the worsening backdrop posed by the Covid-19 pandemic at the end of the period. The Board are most grateful for the endeavours***

*of all staff and our immediate thoughts are focused on the safety and welfare of our staff, partners, customers and prospects.*

*The Group has identified various options to simplify, scale and expand the traditional markets of the MyID software platform, starting with the release of MyID Professional. We have maintained investment in Research & Development and in our operational capabilities and have materially improved profitability – the principal focus of our energies. The turnaround and return to profitability has also allowed us to continue to look at exciting technologies that will enrich the MyID software platform and accelerate the momentum of our innovation.*

*We look forward to a further year of progress, particularly in terms of revenue growth, although much currently depends on events outside of the Company's control and the speed at which customers return to more normal operations."*

## **Contact**

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## **About Intercede**

Intercede is a cybersecurity company specialising in digital identities, derived credentials and access control, enabling digital trust in a mobile world.

Headquartered in the UK, with offices in the US, we believe in a connected world in which people and technology are free to exchange information securely, and complex insecure passwords become a thing of the past.

Our vision is to make the highest levels of cybersecurity available to organizations and consumers alike, solving complexity and scalability issues by managing high volumes of digital credentials.

We have been delivering trusted solutions to high profile customers for over 20 years. Our team of experts has deployed millions of identities to governments, most of the largest aerospace and defence corporations, and major financial services and healthcare organizations, as well as leading telecommunications, cloud services and information technology firms, providing industry-leading employee and customer credential management systems.

For more information visit: [www.intercede.com](http://www.intercede.com)

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

# **INTERCEDE GROUP plc**

## **Preliminary Results for the Year Ended 31 March 2020**

### **CHAIRMAN'S STATEMENT**

The world situation has changed due to the Covid-19 pandemic and as a business our immediate thoughts are focused on the safety and welfare of our staff, partners, customers and prospects. The Executive Management Team (EMT) has reacted swiftly to maintain business as usual with all staff working remotely from home both in the UK and US.

Against this unprecedented backdrop for the closing months of the financial year, I am pleased to report another year of good progress for the Group as we continue to execute our 5C strategy, centred around Colleagues, Customers, Channels, Code and Cash. This has resulted in a financial performance for the year ended 31 March 2020 ("FY20") that represents a significant turnaround from the losses incurred in recent years.

#### **Results**

The Group is reporting a FY20 performance with profit and gross cash balances that are substantially ahead of market expectations. These results demonstrate the significant turnaround that has been undertaken by Intercede. The Group is now on a sound strategic, operational and financial footing and we have growing momentum within the business.

The Group continues to be successful in deriving a high level of recurring and follow on revenue from its existing customers. It is also encouraging to note the value of the pipeline for the year ending 31 March 2021 ("FY21") is over 40% higher than this time last year. This includes a small number of delayed orders and project upgrades, caused by Covid-19, that had been scheduled to take place in the last week of March and are subsequently expected to close and complete successfully during FY21. Clearly the timing of execution of these orders depends upon the speed at which our customers return to more normal operating conditions.

#### **Our People**

Just over two years ago a major Board reconstruction was undertaken with the clear recognition that the Group had to get back to sustainable revenue growth and profitability. The EMT and all members of the team have remained focused throughout the last two years and it is to their great credit that the most difficult part of the operational turnaround has been delivered despite the worsening backdrop posed by the Covid-19 pandemic at the end of the period. The Board are most grateful for the endeavours of all staff. Special thanks must be given to Klaas van der Leest (CEO), Andrew Walker (CFO) and the wider EMT whose leadership, drive and energy have been fundamental.

We are also pleased to welcome Rob Chandhok back to the Intercede Board as an independent Non-Executive Director. Rob served as a Non-Executive Director between April 2015 and January 2017 and brings more than 20 years of experience and expertise in software and embedded systems.

#### **Summary**

With a stronger balance sheet and a focused and demonstrably effective growth strategy, we ended FY20 in very good shape and the Board is confident that Intercede is well placed to deliver long term shareholder value. The Group has identified various options to simplify, scale and expand the traditional markets of the MyID software platform, starting with the release of MyID Professional. We have maintained investment in Research & Development and in our operational capabilities and have materially improved profitability – the principal focus of our energies. The turnaround and return to profitability has also allowed us to continue to look at exciting technologies that will enrich the MyID software platform and accelerate the momentum of our innovation.

At the time of writing, Covid-19 has spread rapidly across the world forcing governments and business to take unparalleled action to contain the spread of infection. This has resulted in the suspension of international travel, cancellation of trade shows, conferences and large customer events. The impact of these measures on new business leads and the subsequent wider impact cannot be fully quantified at this stage but never

before has there been so much technology to help with a crisis of this magnitude. We are proud to provide a product that supports secure remote working and working from home.

Intercede's business model, market position and financial grounding means we are well placed to manage the impact of Covid-19 on our business; with high levels of recurring revenue, a strong order book and FY21 pipeline, a blue chip customer base and a strong balance sheet. We therefore look forward to a further year of progress, particularly in terms of revenue growth, but are mindful that this depends on our customers returning to more normal operating conditions.

**Chuck Pol**

**Chairman**

2 June 2020

# INTERCEDE GROUP plc

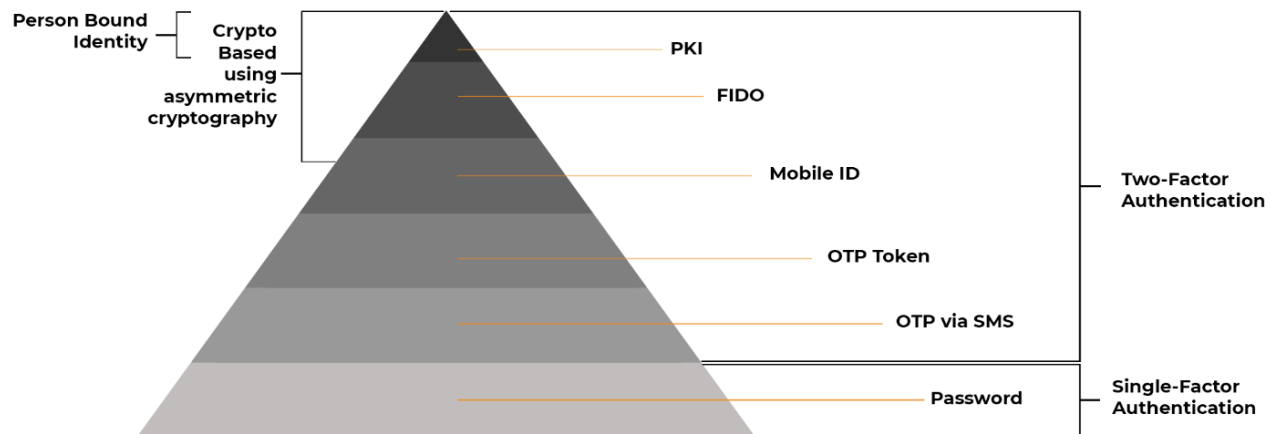
## Preliminary Results for the Year Ended 31 March 2020

### CHIEF EXECUTIVE'S REVIEW

As I said in last year's Annual Report, I was appointed with the primary objective of implementing a strategy to bring the Group back to sustainable revenue growth and profitability. While this is clearly an ongoing objective, I am pleased to see a continuing positive trend and momentum, which will enable us as a business to drive incremental revenue growth in the coming years.

The release of MyID Professional was completed in the second half of the year and has given us access to a new market segment, previously not effectively addressed by MyID Enterprise. MyID Professional is a simplified and therefore more scalable version of MyID, combining predefined business processes and out-of-the-box integration that protects networks, systems and cloud-based resources with the most secure method of authenticating employees. MyID Professional can be purchased via Intercede Channel partners and is expected to particularly appeal to organisations who want to obtain the enhanced security available from PKI (Public Key Infrastructure) but are discouraged by the cost and complexity of high-end solutions.

Over the past 18 months, the business has engaged with its customers and partners to determine which market and solution areas Intercede can naturally address based on its enviable position in the strong authentication segment (PKI), which is still regarded as the gold standard. However, new authentication solutions like FIDO (Faster IDentity Online) are starting to complement the existing PKI solutions, which is reflected in the authentication pyramid below:



FIDO authentication provides cryptographic-grade security that is cheaper and simpler to install than PKI. This has been taken onboard by the US Identification standards for Federal employees and contractors and their forthcoming FIPS 201-3 update is expected to include FIDO as an authentication option. FIDO is currently deployed by a number of leading organisations who want simple, strong authentication for their supplier and customer bases but still wish to retain their PKI infrastructure for employees. The problems facing such organisations is how they can commonly manage both forms of authentication and how do they apply their PKI policies and procedures to FIDO. Intercede believes it can augment FIDO with MyID and is currently working on a solution that will give the market of FIDO users what it needs: a policy-driven FIDO credential management solution. Intercede is currently working with named customers and strategic technology partners to test the first use cases before moving into full scale release. Moving down the authentication pyramid will enable Intercede to access a larger addressable market.

## Review of Strategy and Operations

As with last year's Annual Report and the 2019 Interim Report, I would like to provide an update on Intercede's 5C strategy, centred around Colleagues, Customers, Channels, Code and Cash. This is the core of our 'back to basics' approach and has ensured a laser focus on execution and organic growth.

### 1 Colleagues

The continuing success of the Group primarily depends on its employees across the world, who contribute daily to the achievement of the 5C strategy. The Group respects its staff and recognises that they are its most valuable asset.

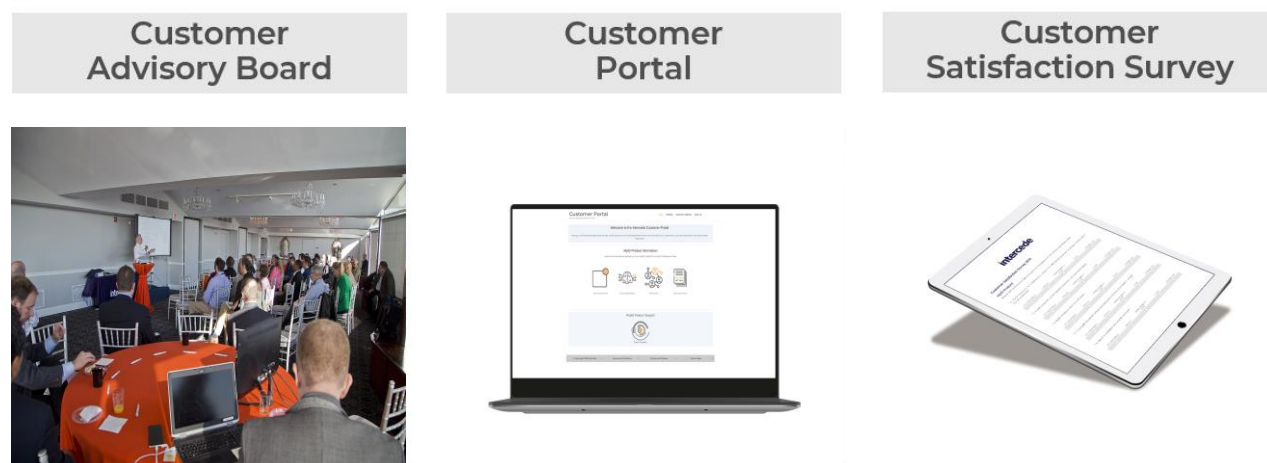
We are committed to promoting a healthy corporate culture that ensures staff are motivated, challenged and happy working together for the mutual benefit of all the Group's stakeholders. Staff engagement and ongoing satisfaction levels are routinely monitored through regular employee surveys and suggestions are actioned by a self-selected Employee Working Group. In addition, there is a series of regular one-to-one meetings and quarterly company meetings to help to ensure inclusivity and awareness of the strategy and objectives.

Over the year, staff numbers increased from 79 as at 31 March 2019 to 83 as at 31 March 2020, while the attrition rate (average number of leavers over the year as a ratio of average headcount over the year) has fallen from 33% in FY19 to 9% in FY20 and currently continues to fall. This is a validation of the focus on creating a caring and inclusive culture and the improvements we have made, and continue to make, in staff mentoring, training and ongoing support mechanisms are contributory to improved skill levels, higher staff satisfaction levels and good staff retention. Our charity and community initiatives continue to be highly valued and well supported by our staff and we remain keen to ensure all staff have equal opportunity to participate in these worthwhile activities.

### 2 Customers

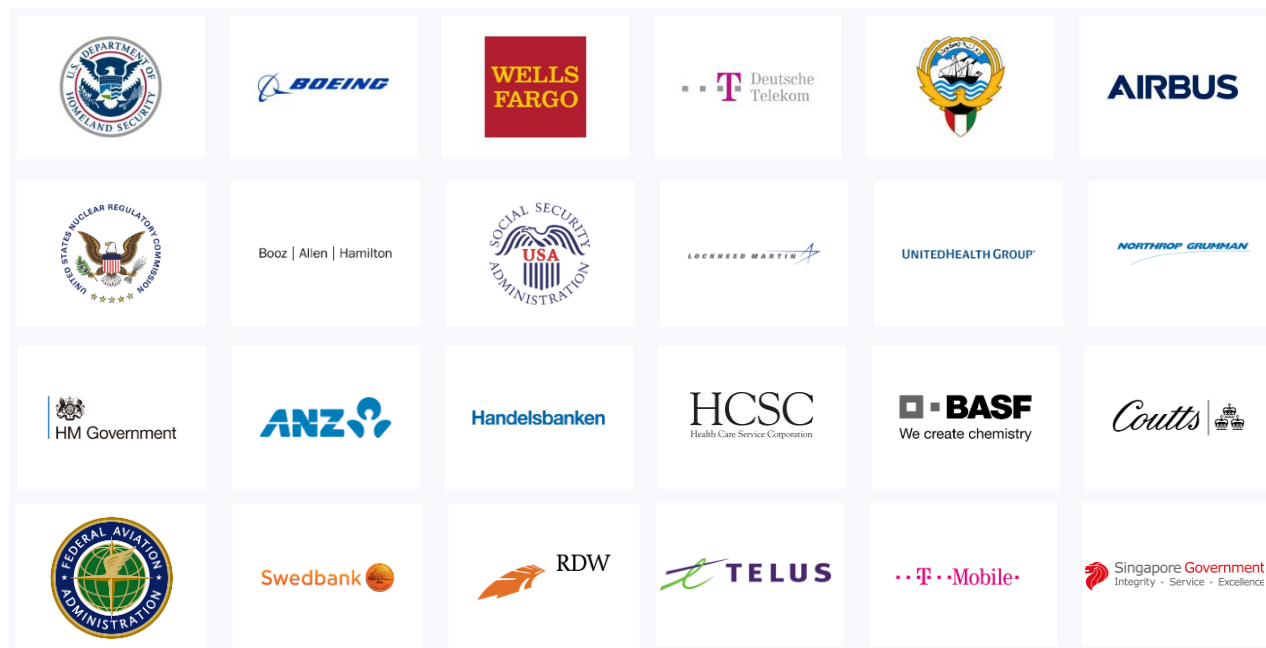
In these challenging times we are reminded of the importance of communication (indeed it could turn our 5C strategy into a 6C strategy) and every interaction with our customers is a chance to increase their advocacy. We have capitalised on this through three main initiatives during FY20: US Customer Advisory Board (CAB), Customer Portal and the Customer Satisfaction Survey.

## Customer interaction



The US CAB in particular was a great success. It was attended by many US federal agencies and large enterprises from across North America, who took the opportunity to get a view of upcoming updates to the MyID software platform but more importantly contribute to workshops on future MyID roadmap developments and innovations. When the Covid-19 lockdowns are lifted, there are plans for a CAB in Europe, which were already underway for our European, Middle East and Asia Pacific customers before the outbreak of the pandemic.

As outlined below in the Trading Results section, we have received significant follow-on orders from existing customers, including governments and large enterprises worldwide. We have an excellent customer list, which has been created by delivering outstanding value. The security, reliability and interoperability of MyID software sets it apart and is why we are proud to help many leading organisations around the world manage the secure digital identities they issue to citizens and employees.



### 3 Channels

Over the past 24 months, Intercede has been on a continuous growth path and is now looking to accelerate that growth further by working with proactive integrator and reseller partners that are well versed in the identity access management and PKI world. I was therefore pleased to announce the launch of Intercede's new Connect Partner Programme back in February 2020. This is a tiered channel scheme that rewards partner engagement to extensively integrate MyID software with world-leading strong authentication hardware and software.

Connect Partner Programme members will become part of a growing strong authentication ecosystem that is integrated and managed with MyID software.

## Technology Partners:



## Integration & Reseller Partners:



Existing and new resellers and integrators within the programme will have access to robust sales, co-marketing and technical training that ensures members' teams are knowledgeable on the software whilst driving incremental revenue streams. Members will also have access to support materials and products to help meet the growing demand for strong authentication – from deployments of 500 to millions.

## 4 Code

As stated in my introduction, the challenge for Intercede is scalability and the Group is tackling this on a number of fronts, including the release of MyID Professional (a simplified version of MyID Enterprise) and a planned expansion into new authentication technologies such as mobile ID and FIDO. MyID Professional is just one member of the MyID family and all platform members have an exciting roadmap of development ahead.

## MyID SOFTWARE PLATFORM



MyID | Professional

MyID | Enterprise

MyID | PIV



An extensive roadmap is crucial as MyID is a Credential Management System (CMS) which typically forms part of a wider identity ecosystem and therefore must be futureproofed to work with the devices and technology our customers want to use.

Intercede has introduced a number of new releases during FY20 for the MyID software platform. These have focused on the integration aspects of MyID with the wider PKI infrastructure and include bringing in new CAs (certificate authorities), working with various authenticator devices (such as smartcards from IDEMIA and Gemalto or USB Tokens from the likes of Yubico) and HSMS (hardware security modules), extending the range of supported MDMs (Mobile Device Management systems) to include Microsoft Intune and ensuring continued interoperability with new versions of operating systems for PCs and mobiles, such as Windows and iOS. Furthermore, product enhancements such as the Self-Service Request Portal have been introduced, which will help our customers to reduce their system operator costs. New releases are now scheduled for each quarter thereby taking a more agile software delivery approach.

Investment continues as we enter FY21 with the goal of a significant release of MyID, currently designated MyID v11.6, which is the first release of a new operator client with an improved user experience and REST APIs for enhanced performance. Intercede has been working closely with Microsoft to enhance Microsoft Windows Hello for Business (WHFB) integration, enabling it to manage additional PKI credentials to each WHFB client in a very convenient self-service manner. Early stage customer trials are expected imminently.

MyID v11.6 will also introduce a new MyID authentication service which, when combined with a new MyID Authenticator mobile app, allows organisations to easily authenticate employees to applications and cloud resources (such as Office 365) using a mobile device in place of a smart card. This new capability combines a simple experience for the end user, supporting PIN, fingerprint and facial recognition, with the high security PKI-based authentication our customers demand. Designed to easily integrate into an existing infrastructure via a plug-in or standards based REST APIs, the solution enables organisations to step up to the highest levels of security quickly, without having to invest in smart cards or tokens, which is particularly important with the increased demand for home working and remote working.

Beyond MyID v11.6, the authentication service will be extended to support FIDO and will introduce a number of elements our customers are demanding to make FIDO work in the Enterprise, including:

- Policy control over who is issued which FIDO key.
- Lifecycle management over a FIDO key including replacement and revocation.
- Auditing and reporting, tracking which person has which FIDO key.
- Interoperability with the MyID authentication service, allowing one FIDO key to be used to access multiple applications.

## **5 Cash**

Our focus on cash is more important than ever in these uncertain times and I am pleased to report we continue to maintain our fine record of managing working capital. This is reflected in the level of cash generated from operations totalling £1,360,000 (2019: £706,000) resulting in increased year end cash balances totalling £4,758,000 (31 March 2019: £3,228,000). The year end position has been further strengthened by the receipt of \$4.6m (£3.7m) on 1 May 2020 relating to a US Federal Government order that was received on 29 March 2020.

## **Outlook**

In comparison to many companies, Intercede is well placed to weather the Covid-19 pandemic. Our products and services are extremely relevant in the current climate, particularly our derived credential and mobile technology, as they allow our customers' staff to securely work remotely with full access to systems that they would use in their normal place of work. While we've seen some postponement of decisions on new sales opportunities, this has been offset thus far by the realisation of orders delayed from March and from existing customers preparing for their staff to work from home.

Furthermore, as a software company, a substantial proportion of our revenue is contracted, recurring or repeatable in nature, thereby providing us with very good forward revenue visibility with Support & Maintenance fees paid annually upfront. Software businesses incur the cost of development upfront, but income is spread over the customers' lifetime. There is therefore a balance between investing for further customer acquisition, investment in the product, and managing cash generation or burn. Over recent years, Intercede has seen both extremes of the spectrum and fully understands the importance of this balance. Needless to say, we will continue to monitor the situation closely.

The Group enters FY21 with a stronger balance sheet and a much stronger pipeline compared to this point last year, an enhanced product portfolio, an expert and extremely motivated team of colleagues, a newly launched Channel programme and a first class customer base. We therefore expect a further year of progress, particularly in terms of revenue growth, although we are mindful that much depends on the speed at which our customers return to more normal operating conditions.

**Klaas van der Leest**  
Chief Executive Officer

2 June 2020

# **INTERCEDE GROUP plc**

## **Preliminary Results for the Year Ended 31 March 2020**

### **STRATEGIC REPORT**

#### **Introduction**

Intercede is a cybersecurity software and services company specialising in digital trust for a hyper-connected, increasingly mobile world.

The Group's vision is a world without passwords and its mission is to provide the enabling technology and services to make this possible for people and things. Intercede's core pillars of strength can be outlined as follows:

- For over 20 years, Intercede has been providing trusted identities to people, devices and apps for some of the world's largest corporations and government agencies.
- Intercede's product innovation roadmap leverages over 1,000 man-years of internal expertise and is underpinned by strong customer demand and a committed set of international partners.
- New solutions are engineered at high speed by a specialist team with longevity of employment. Product design is also informed by major customers and interoperability partners.
- Intercede's MyID software is US and UK Government accredited, which secures access to regulated markets. Traditionally it was delivered as an on-premise solution for employee ID, but it is now also deployed on a large scale for transport workers and national ID programs.

These core strengths mean that Intercede is well placed to take advantage of opportunities in the market, in particular:

- Passwords are universally recognised as being insecure and inconvenient by organisations and end users.
- A growing number of governments and industry bodies are enacting legislation to mandate enhanced levels of security by removing passwords. This increased regulation covers a wide range of activities including banking & finance, general data protection and critical national infrastructure.
- In-house cybersecurity skills are in short supply creating an increased demand for packaged security solutions.
- There is a growing demand for identity solutions to meet the scalability requirements of large end user populations, particularly in the consumer and IoT markets.

Intercede has the experience, skills and technology platform to deliver digital identity solutions across a wide range of market sectors and geographical regions, meeting the growing demand for a secure and convenient alternative to passwords.

#### **Trading Results**

Last year the Group made significant progress, delivering impressive results and returning to profit a year earlier than planned. This was followed by a return to a first half operating profit for the six months ended 30 September 2019, the first time this has been achieved in six years. It therefore pleases me to announce a continuing trend of improved operational and financial performance. The Group generated a substantially increased profit for the year of £1,006,000 (2019: £449,000), while as at 31 March 2020 gross cash balances totalled £4,758,000 (2019: 3,228,000).

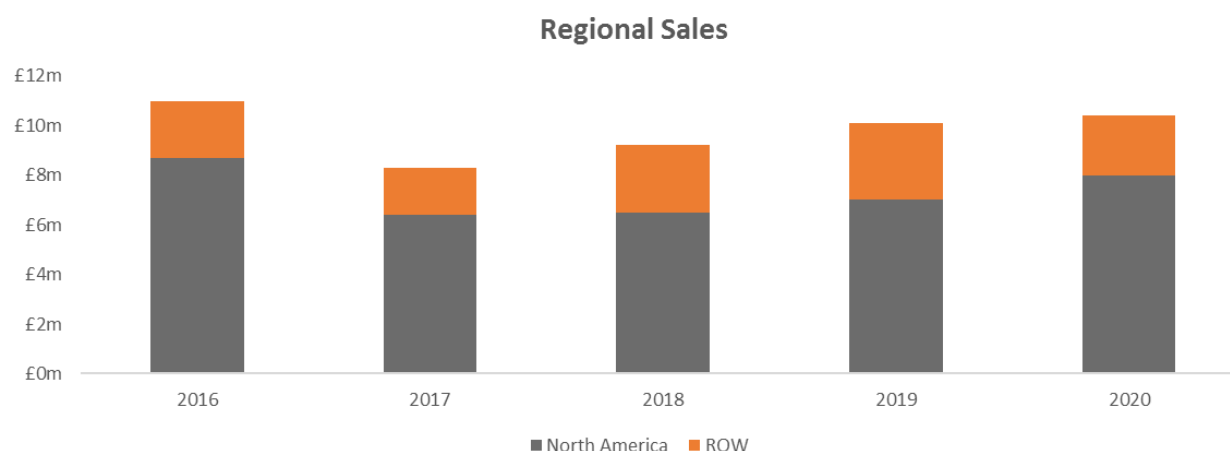
#### **Revenue Highlights:**

- Follow-on orders from an existing US Federal agency customer for 75,000 licenses and professional and development services across three different deployments. Part of the professional and development services order was met with the on-time delivery of MyID v11.5.
- A follow-on 20,000 license sale to one of the world's largest Aerospace & Defence contractors.

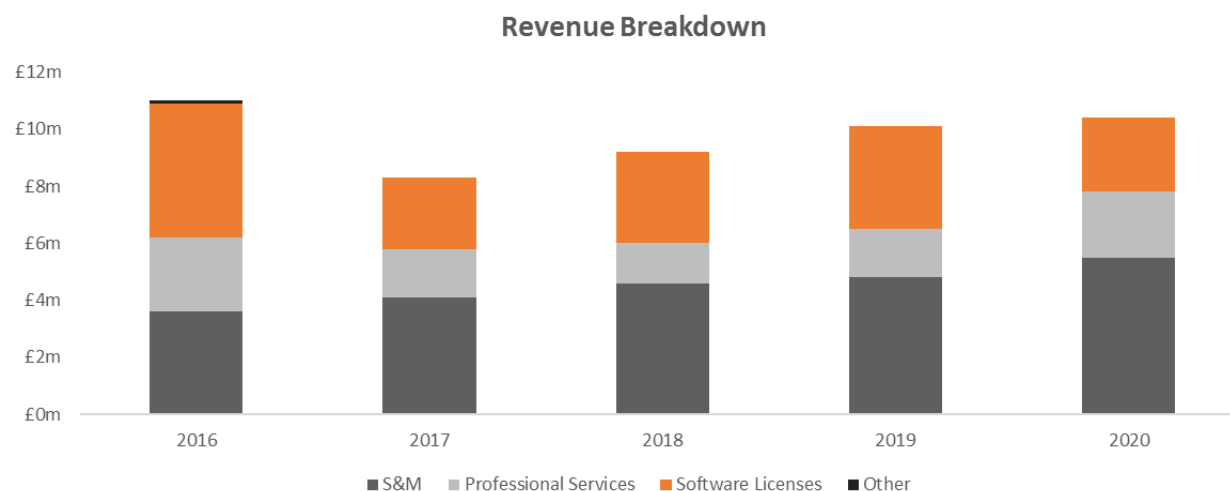
- A new license sale and order for professional services to provide a pilot for one of the largest US wireless network operators. A follow-on order was received in April 2020 and there is the potential to roll out to the wider employee base following a successful implementation.
- A number of smaller new license sales to the US Airforce and US Navy.
- Follow-on order from an existing US Federal Government user totalling \$4.6m (£3.7m), which includes \$2.05m (£1.65m) in respect of software licenses.

These orders include software licenses, associated support & maintenance and professional services, some of which will be recognised as revenue beyond the current financial year.

Intercede is proud to say that MyID continues to be the Credential Management System (CMS) of choice for major public key infrastructure (PKI) system deployments, totalling approximately 90 blue chip end customers worldwide.

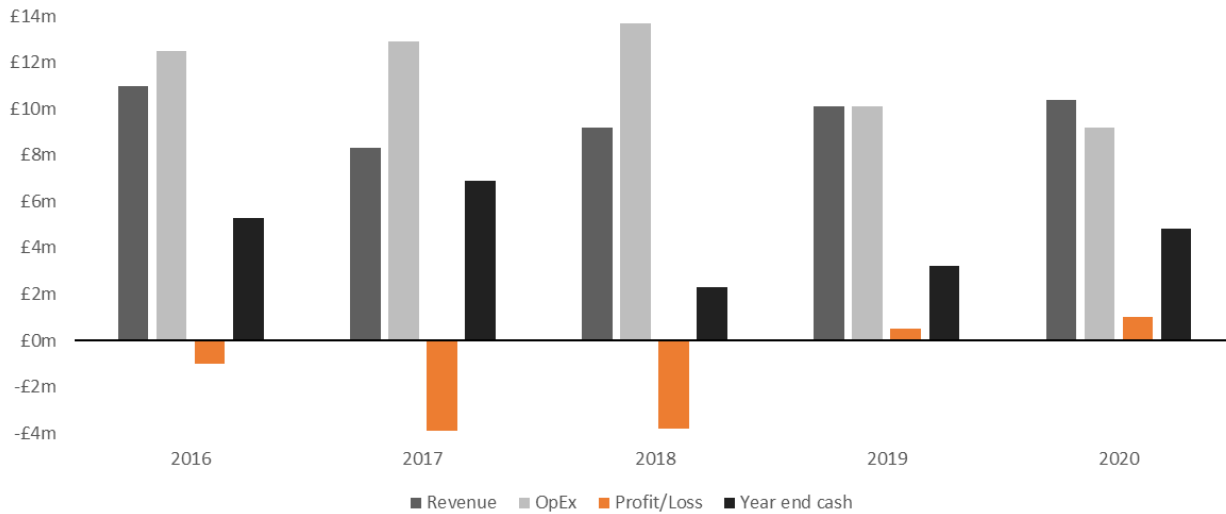


The US represents Intercede's largest market with sales to North America making up 77% of total sales during FY20 (FY19: 69%).



The last five years has seen progressive growth in recurring Support & Maintenance (S&M) revenues due to a steady increase in deployments. The decrease in FY20 Software License revenue is a consequence of the reduction in the number of new deployments (with revenues over £20,000) compared to FY19. This decrease is partially offset by an increase in Professional Services revenue, driven by implementations of large license orders received in the previous year and also by upgrade activity as customers look to take advantage of new product features in MyID v11. This is a validation of the investment in the MyID platform and is a testament to the Product Development teams who have kept to an aggressive release schedule.

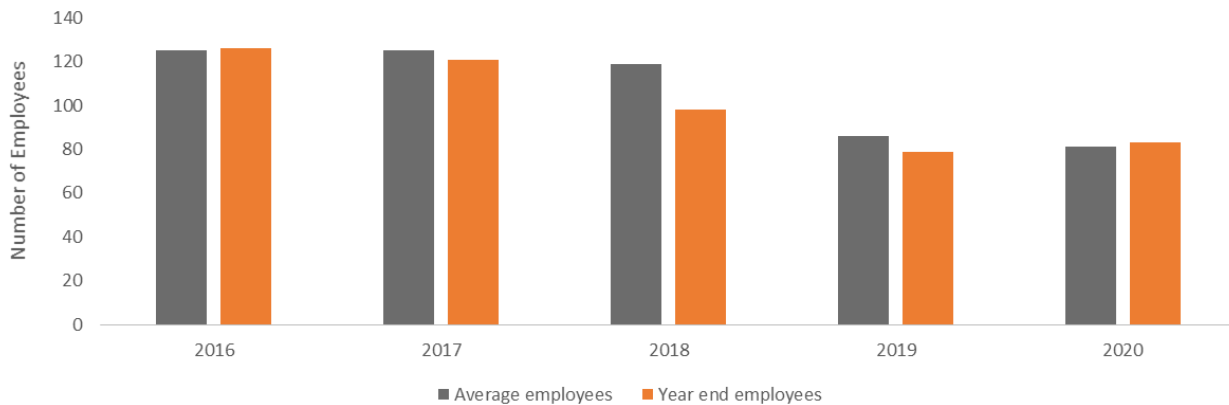
### Revenue, OpEx, Profit/Loss & Cash



The substantial increase in operating expenses (OpEx) over the period to FY18 primarily reflects strategic investment in product development to expand MyID into emerging high-volume markets to secure mobile apps and devices, provide cloud services and protect the Internet of Things (IoT). This expenditure was reduced following the change in strategy reported in the FY18 Annual Report which, when combined with increased revenue, has enabled the Group to return to profit.

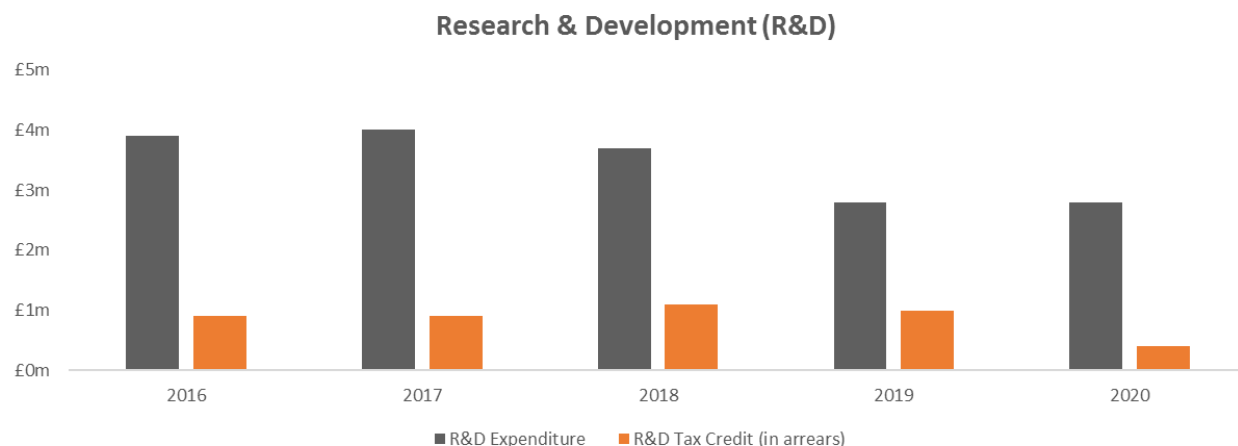
Continued tight control of all costs has helped deliver an 8% reduction in operating expenses from £10,025,000 to £9,191,000. Staff costs continue to represent the main area of expense, representing 83% of total operating expenses (FY19: 79%). The average number of employees and contractors was 81, down from the previous year's average of 86, which reflects the cost reductions carried out in the first half of FY19. However the number of employees and contractors as at 31 March 2020 increased to 83 (2019: 79), reflecting selective recruitment most notably in the area of Sales and Marketing.

### Employees



Employee numbers have been reduced back to pre-FY15 levels, i.e. before the commencement of strategic investment in product development to expand MyID into emerging high-volume markets.

Expenditure on research and development (R&D) activities totalled £2,778,000 (FY19: £2,854,000). In accordance with the IFRS recognition criteria, the Board has continued to determine that all internal R&D costs incurred in the year are expensed. No development expenditure has been capitalised FY20 (FY19: £nil).



R&D is an important part of Intercede's investment strategy. Money spent on people qualifies, in arrears, for UK government tax credits which are paid in cash in the following year.

A £432,000 taxation credit in the year (FY19: £979,000 taxation credit) primarily reflects cash received following the 2019 R&D claim as a result of the investment activities outlined above. The Group is a beneficiary of the UK Government's efforts to encourage innovation by allowing 130% of qualifying R&D expenditure to be offset against taxable profits. In recent years, the tax credit has been unrestricted due to taxable losses exceeding R&D losses, although this was not the case for the 2019 claim. Had the 2019 claim been unrestricted, the amount claimed during FY20 would have been £717,000 which is a fairer reflection of the Group's continued level of strategic investment activities.

The net finance cost for the year was £578,000 (2019: £589,000). This includes interest in respect of lease liabilities totalling £112,000 (2019: £122,000).

A profit for the year of £1,006,000 (2019: £449,000) resulted in a basic profit per share of 2.0p and a fully diluted profit per share of 1.9p (2019: basic profit per share of 0.9p and fully diluted profit per share 0.8p).

### Financial Position

The Group's cash position at 31 March 2020 was £4,758,000 (2019: £3,228,000), following a year in which cash generated from operations totalled £1,360,000 (2019: £706,000). The year end position has been further strengthened by the receipt of \$4.6m (£3.7m) on 1 May 2020 relating to a US Federal Government order that was received on 29 March 2020.

The cost-cutting review enabled the Group to exit one of its UK properties and the sale of this property was completed on 5 April 2019 resulting in net proceeds of £422,000 and a profit on disposal of £50,000 (2019: classified as an asset held for sale at a carrying value of £373,000).

The Group has no plans to commence the payment of dividends and will do so when the Board considers this to be appropriate.

### Treasury

The Group manages its treasury function as part of the finance department. Whilst the Group's operations are primarily based in the UK it has successfully exported its technology throughout the world for many years. This results in invoices being raised in currencies other than sterling; the most notable being US dollars and euros. A number of suppliers also invoice the Group in US dollars and euros. The Group's current policy is not to hedge these exposures and the exchange differences are recognised in the statement of comprehensive income in the year in which they arise.

**Key Performance Indicators (KPIs)**

	2016	2017	2018	2019	2020
Sales growth	25%	(25%)	11%	10%	2%
Export sales	96%	95%	94%	97%	99%
North American sales	79%	77%	71%	69%	77%
New deployments with revenues over £20,000	6	8	10	9	4

**Principal Risks and Uncertainties**

Like all businesses, Intercede operates in an environment that is not free from risks or uncertainties. The nature and complexity of the services it provides can present technical challenges that carry a certain element of commercial risk, and the Group is naturally exposed to external market, geo-political and compliance related risks that are not necessarily within its control. Intercede works diligently to identify, monitor and mitigate all risks and uncertainties:

- The Group operates in a complex and competitive technological environment so the business will be negatively affected if the Group does not enhance its product offerings and/or respond effectively to technological change. This risk is mitigated by ongoing investment in research and development.
- The Group operates in multiple markets, both geographically and by sector, so there is a risk that territory and global macro-economic conditions (including the impact of issues such as Brexit and the US China trade dispute) may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly. This risk is mitigated to an extent, both through the long-term nature of customer relationships and the diversification that results from operating in multiple markets.
- The impact of the Covid-19 outbreak is causing extensive disruption to people and economies throughout the world. The Group has proactively implemented proportionate plans to minimise the risk of an outbreak at our office locations, keeping employees and customers safe. Marketing trade show events, customer events and employee travel in general have been cancelled or postponed. All staff have been given the capability to work from home, including appropriate support, training and equipment. The Group continues to monitor the situation closely to mitigate any potential impact and have modelled a number of different possible scenarios and identified mitigating actions that would be taken.
- Technology companies are exposed to intellectual property infringement and piracy. The Group rigorously defends its intellectual property in the primary jurisdictions within which it operates.
- The Group's performance is largely dependent on the experience and expertise of its employees. The loss or lack of key personnel is likely to adversely impact the Group's results. To mitigate this risk, the Group aims to put in place appropriate management structures and to provide competitive remuneration packages to retain and attract key personnel.

By order of the Board

**Andrew Walker**

Finance Director

2 June 2020

# INTERCEDE GROUP plc

## Consolidated Statement of Comprehensive Income for the year ended 31 March 2020

	2020	2019
		Restated *
	£'000	£'000
<b>Continuing operations</b>		
<b>Revenue</b>	10,355	10,108
Cost of sales	<u>(12)</u>	<u>(24)</u>
<b>Gross profit</b>	10,343	10,084
Operating expenses	<u>(9,191)</u>	<u>(10,025)</u>
<b>Operating profit</b>	1,152	59
Finance income	19	11
Finance costs	<u>(597)</u>	<u>(600)</u>
<b>Profit / (loss) before tax</b>	574	(530)
Taxation	<u>432</u>	<u>979</u>
<b>Profit for the year</b>	<u>1,006</u>	<u>449</u>
<b>Total comprehensive income attributable to owners of the parent company</b>	<u>1,006</u>	<u>449</u>
<b>Profit per share (pence)</b>		
- basic	2.0p	0.9p
- diluted	<u>1.9p</u>	<u>0.8p</u>

\* See note 10 for details about restatements to reflect the impact of IFRS 16 Leases.



**INTERCEDE GROUP plc**

**Consolidated Balance Sheet as at 31 March 2020**

	2020 £'000	2019 Restated * £'000	1 April 2018 Restated * £'000
<b>Non-current assets</b>			
Property, plant and equipment	119	154	195
Right of use assets	980	1,135	1,363
	<u>1,099</u>	<u>1,289</u>	<u>1,558</u>
<b>Current assets</b>			
Assets held for sale	-	373	373
Trade and other receivables	5,100	4,797	4,709
Cash and cash equivalents	4,758	3,228	2,272
	<u>9,858</u>	<u>8,398</u>	<u>7,354</u>
<b>Total assets</b>	<u>10,957</u>	<u>9,687</u>	<u>8,912</u>
<b>Equity</b>			
Share capital	505	505	505
Share premium	673	673	673
Equity reserve	66	66	66
Merger reserve	1,508	1,508	1,508
Accumulated deficit	(4,133)	(5,420)	(6,162)
<b>Total equity</b>	<u>(1,381)</u>	<u>(2,668)</u>	<u>(3,410)</u>
<b>Non-current liabilities</b>			
Convertible loan notes	4,832	4,747	4,670
Lease liabilities	1,207	1,404	1,587
Deferred revenue	195	166	324
	<u>6,234</u>	<u>6,317</u>	<u>6,581</u>
<b>Current liabilities</b>			
Lease liabilities	316	253	219
Trade and other payables	1,632	1,899	1,857
Deferred revenue	4,156	3,886	3,665
	<u>6,104</u>	<u>6,038</u>	<u>5,741</u>
<b>Total liabilities</b>	<u>12,338</u>	<u>12,355</u>	<u>12,322</u>
<b>Total equity and liabilities</b>	<u>10,957</u>	<u>9,687</u>	<u>8,912</u>

\* See note 10 for details about restatements to reflect the impact of IFRS 16 Leases.

**INTERCEDE GROUP plc**

**Consolidated Statement of Changes in Equity for the year ended 31 March 2020**

	Share capital £'000	Share premium £'000	Equity reserve £'000	Merger reserve £'000	Accumulated deficit £'000	Total equity £'000
As at 1 April 2018 (Original)	505	673	66	1,508	(5,719)	(2,967)
Change in accounting policy	-	-	-	-	(443)	(443)
As at 1 April 2018 (Restated *)	505	673	66	1,508	(6,162)	(3,410)
Proceeds from recycling of own shares	-	-	-	-	27	27
Employee share option plan charge	-	-	-	-	17	17
Employee share incentive plan charge	-	-	-	-	249	249
Profit for the year and total comprehensive income (Restated *)	-	-	-	-	449	449
As at 31 March 2019 (Restated *)	505	673	66	1,508	(5,420)	(2,668)
Proceeds from recycling of own shares	-	-	-	-	38	38
Employee share option plan charge	-	-	-	-	99	99
Employee share incentive plan charge	-	-	-	-	144	144
Profit for the year and total comprehensive income	-	-	-	-	1,006	1,006
As at 31 March 2020	<u>505</u>	<u>673</u>	<u>66</u>	<u>1,508</u>	<u>(4,133)</u>	<u>(1,381)</u>

\* See note 10 for details about restatements to reflect the impact of IFRS 16 Leases.

All amounts included in the table above are attributable to owners of the parent company.

**INTERCEDE GROUP plc**

**Consolidated Cash Flow Statement for the year ended 31 March 2020**

	2020	2019 Restated *
	£'000	£'000
<b>Cash flows from operating activities</b>		
Profit for the year	1,006	449
Taxation	(432)	(979)
Finance income	(19)	(11)
Finance costs	597	600
Depreciation of property, plant & equipment	81	116
Depreciation of right of use assets	235	228
Profit on disposal of assets held for sale	(50)	-
Employee share option plan charge	99	17
Employee share incentive plan charge	144	249
Employee unit incentive plan charge	36	5
Employee unit incentive plan payment	(4)	(7)
Increase in trade and other receivables	(356)	(131)
(Decrease) / increase in trade and other payables	(299)	44
Increase in deferred revenue	299	63
Increase in lease liabilities	23	63
<b>Cash generated from operations</b>	1,360	706
Finance income	17	9
Finance costs on convertible loan notes	(400)	(400)
Finance costs on leases	(112)	(122)
Tax received	432	979
<b>Net cash generated from operating activities</b>	1,297	1,172
<b>Investing activities</b>		
Proceeds on disposal of assets held for sale	422	-
Purchases of property, plant and equipment	(46)	(75)
<b>Cash generated from / (used in) investing activities</b>	376	(75)
<b>Financing activities</b>		
Proceeds from recycling of own shares	38	27
Principal elements of lease payments	(236)	(212)
<b>Cash used in financing activities</b>	(198)	(185)
<b>Net increase in cash and cash equivalents</b>	1,475	912
Cash and cash equivalents at the beginning of the year	3,228	2,272
Exchange gains on cash and cash equivalents	55	44
<b>Cash and cash equivalents at the end of the year</b>	4,758	3,228

\* See note 10 for details about restatements to reflect the impact of IFRS 16 Leases.

## INTERCEDE GROUP plc

### Preliminary Results for the Year Ended 31 March 2020

#### NOTES

1. The financial information set out in this announcement does not constitute the Group's Statutory Accounts for the years ended 31 March 2020 or 2019, but is derived from those accounts. Statutory Accounts for 2019 have been delivered to the Registrar of Companies and those for 2020, which have been approved by the Board of Directors, will be delivered following the Group's Annual General Meeting. The Company's auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The Annual General Meeting will be held at 2.00 pm on Wednesday 16 September 2020. Copies of the full Statutory Accounts and the Notice of Annual General Meeting will be despatched to shareholders in due course. Copies will also be available on the website ([www.intercede.com](http://www.intercede.com)) and from the registered office of the Company: Lutterworth Hall, St. Mary's Road, Lutterworth, Leicestershire, LE17 4PS.

#### 2. REVENUE

All of the Group's revenue, operating profits and net liabilities originate from operations in the UK. The Directors consider that the activities of the Group constitute a single business segment.

The split of revenue by geographical destination of the end customer can be analysed as follows:

	2020 £'000	2019 £'000
UK	131	331
Rest of Europe	1,126	1,738
North America	7,958	6,981
Rest of World	1,140	1,058
	<u>10,355</u>	<u>10,108</u>

#### 3. OPERATING PROFIT

Operating profit is stated after charging / (crediting):

	2020 £'000	2019 Restated £'000
Staff costs	7,619	7,994
Foreign exchange loss	41	68
Depreciation of property, plant and equipment	81	116
Depreciation of right of use buildings	228	228
Depreciation of right of use equipment	7	-
Profit on disposal of assets held for sale	(50)	-

Included in the costs above is research and development expenditure totalling £2,778,000 (2019: £2,854,000).

#### 4. TAXATION

The tax credit comprises:	2020 £'000	2019 £'000
Current year – UK corporation tax	-	-
Current year – US corporation tax	(28)	(31)
Research and development tax credits relating to prior years	460	1,010
Taxation	<u>432</u>	<u>979</u>

The Group has unused tax losses of £8,775,000 (2019: £8,710,000) and unrecognised deferred tax assets of £1,667,000 (2019: £1,481,000) calculated at 19% (2019: 17%), the UK corporation tax rate that is effective from 1 April 2020.

#### 5. EARNINGS PER SHARE

The calculations of earnings per ordinary share are based on the profit for the financial year and the weighted average number of ordinary shares in issue during each year.

	2020 £'000	2019 Restated £'000
Profit for the year	<u>1,006</u>	<u>449</u>
	Number	Number
Weighted average number of shares – basic	50,482,281	50,482,281
– diluted	<u>53,232,738</u>	<u>51,941,220</u>
	Pence	Pence
Profit per share – basic	2.0p	0.9p
– diluted	<u>1.9p</u>	<u>0.8p</u>

The weighted average number of shares used in the calculation of basic and diluted earnings per share for each year were calculated as follows:

	2020 Number	2019 Number
Issued ordinary shares at start of year	50,523,926	50,523,926
Effect of treasury shares	(41,645)	(41,645)
Effect of issue of ordinary share capital	<u>-</u>	<u>-</u>
Weighted average number of shares – basic	<u>50,482,281</u>	<u>50,482,281</u>
Add back effect of treasury shares	41,645	41,645
Effect of share options in issue	2,708,812	1,417,294
Effect of convertible loan notes in issue	<u>-</u>	<u>-</u>
Weighted average number of shares – diluted	<u>53,232,738</u>	<u>51,941,220</u>

The convertible loan notes are anti-dilutive and have therefore been excluded from the calculation of diluted profit per share. Had the convertible loan notes been dilutive in nature, this would have increased the weighted average number of shares by 7,273,387 (2019: 7,273,387).

## 6. DIVIDEND

The Directors do not recommend the payment of a dividend.

## 7. ASSETS HELD FOR SALE

The sale of a UK based property was completed on 5 April 2019 resulting in net proceeds of £422,000 and a profit on disposal of £50,000.

## 8. SHARE CAPITAL

	2020 £'000	2019 £'000
<i>Authorised</i>		
481,861,616 ordinary shares of 1p each (2019: 481,861,616)	<u>4,819</u>	<u>4,819</u>
<i>Issued and fully paid</i>		
50,523,926 ordinary shares of 1p each (2019: 50,523,926)	<u>505</u>	<u>505</u>
As at 31 March 2020, the Company had 41,645 ordinary shares held in treasury (2019: 41,645).		

## 9. CONVERTIBLE LOAN NOTES

	2020 £'000	2019 £'000
<b>Non-current</b>		
8% Convertible loan notes (29 December 2021)	<u>4,832</u>	<u>4,747</u>
Borrowings are repayable as follows:		
	2020 £'000	2019 £'000
Due between one and two years	4,832	-
Between two and five years	<u>-</u>	<u>4,747</u>
	<u>4,832</u>	<u>4,747</u>

On 30 January 2017, the Company issued £4,495,000 convertible loan notes that carry an interest coupon of 8.0% pa payable quarterly. The Company has granted security by way of a composite guarantee and debenture in favour of Welbeck Capital Partners LLP to secure the repayment of principal and interest due on the convertible loan notes to the holders. Holders of the convertible loan notes may convert into ordinary shares, at a conversion price of 68.8125 pence per ordinary share, at any time until the final redemption date of 29 December 2021.

On 25 August 2017, the Company issued £510,000 convertible loan notes under the same convertible loan note instrument.

The amount recognised in the balance sheet in relation to the convertible loan notes is as follows:

	2020 £'000	2019 £'000
Nominal value of convertible loan note issue	5,005	5,005
Issue costs	(348)	(348)
Equity component at date of issue	<u>(66)</u>	<u>(66)</u>
Liability component at date of issue	4,591	4,591
Effective interest rate adjustment from date of issue	<u>241</u>	<u>156</u>
Liability component at 31 March	<u>4,832</u>	<u>4,747</u>

## 10. IFRS 16 TRANSITION

The Group has applied IFRS 16 retrospectively and the tables below show the adjustments (“Adj”) recognised for each line item for 31 March 2020, 31 March 2019 and the opening Consolidated Balance Sheet at 1 April 2018. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

### Consolidated Statement of Comprehensive Income (extract)

	Year ended 30 March 2020			Year ended 31 March 2019		
	Original £'000	Adj £'000	Restated £'000	Original £'000	Adj £'000	Restated £'000
Operating expenses	(9,281)	90	(9,191)	(10,068)	43	(10,025)
<b>Operating profit</b>	1,062	90	1,152	16	43	59
Finance costs	(485)	(112)	(597)	(478)	(122)	(600)
<b>Profit for the year</b>	1,028	(22)	1,006	528	(79)	449
<b>Profit per share (pence)</b>						
- Basic	2.0p	(0.0)p	2.0p	1.0p	(0.1)p	0.9p
- diluted	1.9p	(0.0)p	1.9p	0.9p	(0.1)p	0.8p

### Consolidated Balance Sheet (extract)

	As at 31 March 2020			As at 31 March 2019			As at 1 April 2018		
	Original £'000	Adj £'000	Restated £'000	Original £'000	Adj £'000	Restated £'000	Original £'000	Adj £'000	Restated £'000
<b>Non-current assets</b>									
Right of use assets	-	980	980	-	1,135	1,135	-	1,363	1,363
<b>Total assets</b>	9,977	980	10,957	8,552	1,135	9,687	7,549	1,363	8,912
<b>Equity</b>									
Accumulated deficit	(3,590)	(543)	(4,133)	(4,898)	(522)	(5,420)	(5,719)	(443)	(6,162)
<b>Total equity</b>	(838)	(543)	(1,381)	(2,146)	(522)	(2,668)	(2,967)	(443)	(3,410)
<b>Non-current liabilities</b>									
Lease liabilities	-	1,207	1,207	-	1,404	1,404	-	1,587	1,587
<b>Current liabilities</b>									
Lease liabilities	-	316	316	-	253	253	-	219	219
<b>Total liabilities</b>	10,815	1,523	12,338	10,698	1,657	12,355	10,516	1,806	12,322
<b>Total equity and liabilities</b>	9,977	980	10,957	8,552	1,135	9,687	7,549	1,363	8,912

### Consolidated Cash Flow Statement (extract)

	Year ended 31 March 2020			Year ended 31 March 2019		
	Original £'000	Adj £'000	Restated £'000	Original £'000	Adj £'000	Restated £'000
Profit for the year	1,028	(22)	1,006	528	(79)	449
Finance costs	485	112	597	478	122	600

Depreciation	81	235	316	116	228	344
Increase in lease liabilities	-	23	23	-	63	63
<b>Cash generated from operations</b>	<b>1,012</b>	<b>348</b>	<b>1,360</b>	<b>372</b>	<b>334</b>	<b>706</b>
Finance costs on leases	-	(112)	(112)	-	(122)	(122)
<b>Net cash generated from operating activities</b>	<b>1,061</b>	<b>236</b>	<b>1,297</b>	<b>960</b>	<b>212</b>	<b>1,172</b>
Principal elements of lease payments	-	(236)	(236)	-	(212)	(212)
<b>Cash generated from / (used in) financing activities</b>	<b>38</b>	<b>(236)</b>	<b>(198)</b>	<b>27</b>	<b>(212)</b>	<b>(185)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,475</b>	<b>-</b>	<b>1,475</b>	<b>912</b>	<b>-</b>	<b>912</b>